

**Company**

# Saudi Telecom Company

## 2Q25 Result Review

**Rating**

Under Review (UR)

**Bloomberg Ticker**

STC AB

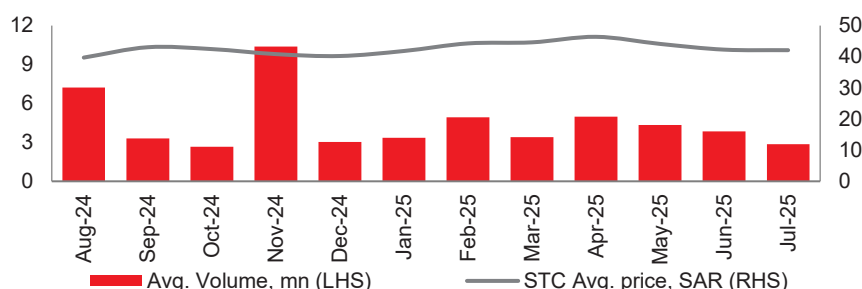
**Date**

31 July 2025

**Results**

Target Price SAR UR

Upside/ Downside --

**Revenue increased 2% YoY in 2Q25**

STC's top line rose 2% YoY and 1% QoQ. The QoQ growth was driven by a 4.3% increase in commercial unit revenues, a 2.7% rise in wholesale & carriers, and a 4.4% growth in subsidiary income. This more than offsets the slower growth in legacy voice services and signals steady growth in data, enterprise, and digital segments.

**Net profit improved amid margin expansion and lower cost base**

Net profit improved QoQ and YoY basis to SAR 3.8bn, supported by higher gross margins of 49.1% compared to 46.6% during the same period last year. While operating expenses rose due to higher marketing, general, and administration expenses, and amortization (linked to spectrum license), this was offset by gains in operating efficiency, reversal of zakat provisions, and higher other income.

**U-Capital view**

Management reiterated its optimism for FY25, citing further margin improvement driven by the operational efficiency program. The company announced a SAR 0.55 per share dividend for this quarter. The stock is currently under review, as we will update our investment case shortly.

**Financial Statements**

SAR mn	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25e	YoY (%)	QoQ (%)	Var (%)	1H24	1H25	YoY (%)
<b>Income Statement</b>												
Sales/Revenue	18,959	18,643	18,996	19,210	19,451	19,508	2%	1%	0%	37,867	38,660	2%
Gross Profit	9,571	10,395	7,948	9,098	9,560	9,435	0%	5%	1%	17,501	18,658	7%
Operating Profit	3,533	4,410	2,275	3,584	3,624	3,794	3%	1%	-4%	7,046	7,207	2%
Net Profit	3,304	4,258	(132)	3,649	3,823	3,649	16%	5%	5%	6,590	7,472	13%
<b>Balance Sheet</b>												
Sh. Equity	76,401	79,283	89,417	91,069	82,699		8%	-9%		76,401	82,699	8%
<b>Ratios</b>												
Gross Margin	46.6%	55.8%	41.8%	47.4%	49.1%	48.4%				46.2%	48.3%	
Op. Profit Margin	18.6%	23.7%	12.0%	18.7%	18.6%	19.4%				18.6%	18.6%	
Net Profit Margin	17.4%	22.8%	-0.7%	19.0%	19.7%	18.7%				17.4%	19.3%	
EPS	0.7	0.9	0.0	0.7	0.8	0.7						
TTM RoE					13.5%							
TTM P/E (x)					18.2							

Source: Financials, Tadawul, Bloomberg, U Capital Research

For our  
last report

# Investment Research

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## Disclaimer

### Recommendation

BUY	ACCUMULATE	HOLD	REDUCE	SELL
Greater than 20%	Between +10% and +20%	Between +10% and -10%	Between -10% and -20%	Lower than -20%

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